

Executive Report

Ward(s) affected: Onslow

Report of Strategic Director - Place

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Midleton Industrial Estate Redevelopment

Executive Summary

The Midleton Industrial Estate comprises approx. 5.7 acres within the Council's freehold ownership and the Executive approved a business case for its redevelopment on 24 January 2017.

The Estate was divided in accordance with the long leaseholds previously granted but Officers have been pursuing a phased development of the Estate in line with when existing leases have expired.

This report outlines progress with the delivery of the project, including the current spend and the works completed to date as well as the remaining scope of works to be delivered during 2022-23. The Executive is asked to approve the transfer of £5,557,000 from the provisional capital programme to the approved capital programme in order to complete the fourth and final phase of the redevelopment.

Recommendation to Executive

1. To ratify the urgency decision of the Director of Resources that the sum of £5.557 million be transferred from the provisional capital programme to the approved capital programme to enable the completion of the design and construction of phase four of the Midleton Industrial Estate redevelopment, as detailed in this report.
2. That the Strategic Director - Place be delegated authority, in consultation with the Executive Member for Resources, to enter into such contracts as are necessary to enable the transactions to be completed within the allocated budget.

Reason(s) for Recommendation:

To complete the redevelopment of Midleton Industrial Estate, to enhance both the capital value and rental income of the Council's property holding.

Is the report (or part of it) exempt from publication?

No

1. Purpose of Report

- 1.1 The purpose of this report is to provide the Executive with an update of the Midleton Industrial Estate redevelopment programme carried out so far (phases 1 to 3), and to seek approval for transfer of the necessary funds to continue to progress and deliver phase 4 of the project.

2. Strategic Priorities

- 2.1 The recommendations support the delivery of the Corporate Plan 2018-23 which list the following priority under Innovation:

“Redevelop Midleton Industrial Estate to provide modern units equipped with the latest technology for new and expanding businesses.”

3. Background

- 3.1 In accordance with the Council’s Asset Management Framework, the Council continues proactively to look at opportunities to enhance both the capital value and rental income of the Council’s property assets.
- 3.2 Midleton Industrial Estate lies adjacent to Guildford Business Park and was determined to have significant potential for redevelopment.
- 3.3 The entire Midleton Industrial Estate comprises around 5.7 acres. The Estate was divided in accordance with the long leaseholds previously granted. The units were typically 1970s warehouses of steel portal frame construction approaching the end of their economic life. A strategy has been implemented to either buy back units that were let on long leaseholds or to not renew leases that were ending to enable redevelopment for continued industrial use.

4. Current Position

4.1 Phase 1

Since the last report in November 2019, this phase of work to construct a pair of 416 sq.m units have been completed. Whilst that work was delayed as a consequence of the Covid pandemic, Practical Completion was achieved on 11-Mar-21 and both units were occupied by a single tenant soon afterwards.

We have recently completed the End of Defects Period inspection and following the rectification of a few minor issues, this part of the project has been drawn to a close.

4.2 Phases 2 and 3

These phases of work comprised the construction of 15 individual units ranging in size from approximately 84 sq.m to 520 sq.m on what were plots 12-15 of the original estate.

Open tenders were invited for the construction of these phases of work in mid-2020 and the contract was awarded to Amiri Construction Ltd for the sum of £5.72m. Work began on site in March 2021 and again following pandemic related delays, completed on 18-Feb-22.

At the present time, six of the units have been let and a further seven are in the process of being so.

4.3 Phase 4

The final phase of the development aims to provide 20 individual units ranging in size from approximately 50sq.m to 75 sq.m on what were plots 3-5 and 9 of the original estate.

Open tenders were invited for the construction of this phase of work in mid-2021 and the contract was awarded to Francis Construction Ltd for the sum of £4.25m. Work began on site in May 2022 and is anticipated to complete in May 2023.

5. Key Risks

- 5.1 At this stage in the project, most of the obvious significant risks (planning permission, the value tender returns, Network Rail, etc.) have already been resolved. What remains are those associated with most large construction projects. In this particular case they include site conditions as we're working on the most difficult part of the estate, and the cost and sourcing of materials. The latter has become more acute both since the pandemic and as a consequence of the situation in Ukraine.

As has been the case throughout the project, a risk register is maintained for this phase of work and kept under constant review at formal contract meetings. As the contract is a design and build arrangement, much of the risk sits with the contractor but as a responsible client we work with them to resolve issues wherever possible.

6. Financial Implications

- 6.1 This redevelopment project began with a provisional capital budget of £14,907,000 and the transfer of £9,350,000 has previously been approved to enable the delivery of the first three phases of work. The transfer request for the balance of the provisional budget that is the subject of this report will enable the final phase of work and the project overall to be similarly completed.
- 6.2 The tender for the final phase works was returned in the sum of £4.25m, which was within the anticipated cost. However, the wider project cost includes professional and statutory fees of approximately £285k, and utilities costs of around £240k, bringing the currently anticipated total for this phase to approx. £4.78m.
- 6.3 The remainder of the budget will be used to fund the retentions held on the previous phases of construction of approx. £115k, fees associated with the initial marketing and letting activities of the completed units and to provide a contingency sum to cover unforeseen works. As this final phase of work is taking place on the most complex part of the estate, it has proved difficult to anticipate

every possible obstacle to progress. However, it is still expected that the project overall will complete comfortably within the original budget.

6.4 The breakdown is therefore as follows:

Tendered works	£4,250,000
Professional and Statutory Fees	£285,000
Utilities	£240,000
Retentions	£115,000
Marketing, Letting fees and Contingency	£667,000
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Total	£5,557,000

7. Legal Implications

7.1 Section 2(1) of the Local Authorities (Land) Act 1963 permits a local authority for the benefit or improvement of their area, to erect any building and construct or carry out works on land.

7.2 An urgency decision was taken by the Director of Resources in consultation with the Chair of Overview & Scrutiny Committee to enable the Council to enter into the Phase 4 contract and to approve the transfer from the provisional capital programme to the approved capital programme.

8. Human Resource Implications

8.1 No HR implications apply.

9. Equality and Diversity Implications

9.1 This duty has been considered in the context of this report and it has been concluded that there are no equality and diversity implications arising directly from this report.

10. Climate Change/Sustainability Implications

10.1 All phases of this redevelopment have been designed and constructed to exceed current minimum energy efficiency standards. The exact amount varies depending upon the individual unit, but each is typically 25-35% more efficient than required by the Building Regulations. This has been achieved by the careful selection of modern materials together with the inclusion of solar PV panels on the roof of every unit.

In addition to the above, the development includes rainwater attenuation tanks to mitigate the possibility of flooding and, when complete, will provide 35 electric vehicle charging points, 31 of which will be publicly accessible.

11. Conclusion

- 11.1 The redevelopment of the Midleton Industrial Estate is creating a more secure asset and investment for the Council by providing much needed industrial stock. It is encouraging new businesses into the area and allowing existing businesses the room to grow. It is therefore officers' recommendation to transfer the budget required from the provisional capital programme to the approved capital programme to enable continued delivery of the project.

12. Background Papers

Equalities Impact Assessment.

13. Appendices

None.